## TRANSCRIPT OF PROCEEDINGS

# BEFORE THE FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C. 20554

	<b>,</b>	
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#### I-N-D-E-X

Witness	Direct	Cross E	Redirect	Recro	<u>ss</u>
Patricia Kravtin		1490	1527		
Michael Harrelson	1554	1566			
	EXHI	BITS			
EXHIBITS NO.	DESC	RIPTION		MARK	RECD
Gulf Power Exhibit	S				
73 Draft of report	by Mr. ed 3/24/2		on		1546
74 Two-page memo f Mr. Seiver 3/		Joseph t	50		1546
75 One-page docume to Mr. Harı			er .		1546
70-A Testimony des Mr. Harrelso	_			1549	1550
70-B Excerpts from deposition of Seiver on behal	designate	d by Mr.	•	1550	1550
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#### **EXHIBITS**

EXHIBITS NO.	DESCRIPTION	MARK_	RECD
	. Harrelson from dated 2/4/2005	1610	
77 Draft report dated 3/24	by Mr. Harrelson /2005	1617	
	truction specs ation manual	1674	
79 Set of specs	for CHELCO	1677	
80 SEE telephon	e survey	1682	
82 RUS Bulletin dated 4/25/		1687	
81 RUS specs da	ted 12/1998	1698	
83 Hubbel Power manufacturi:		1705	
85 JEA docum	ent	1705	
86 E-mail of	photographs	1725	1742
87 Photo of Po	ole at IHOP	1725	1742
88 E-mail from Mr. Harro dated 2/1		1728	
Complainants Exhi	bits		
B Mr. Harre	lson's testimony	1565	1565

Start Time: 9:01 a.m.

Lunch: 12:02 p.m. to 1:03 p.m.

End Time: 4:01 p.m.

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1	P-R-O-C-E-E-D-I-N-G-S
2	(9:03 a.m)
3	JUDGE SIPPEL: Ms. Kravtin, you're on the
4	stand. And you're still under oath, ma'am.
5	THE WITNESS: Yes, sir.
6	JUDGE SIPPEL: Mr. Langley?
7	MR. LANGLEY: Your Honor, I believe Mr.
8	Siever wanted to take care of a housekeeping matter
9	first.
10	MR. SEIVER: I had suggested that, Your
11	Honor, but it can wait until Ms. Kravtin is done.
12	JUDGE SIPPEL: Okay. Let's go.
13	CROSS EXAMINATION
14	BY MR. LANGLEY:
15	Q Ms. Kravtin, yesterday, we had talked a
16	little bit about the concept of rivalrous property.
17	Do you recall that?
18	A Yes.
19	Q And I was showing you a chart from a text
20	flow. Do you remember that?
21	A Yes, I do.
22	Q I want you to tell me in your opinion as
	1

1	an economist, what is an example of a highly rivalrous
2	good?
3	JUDGE SIPPEL: Your reference to was your
4	Exhibit 71 for identification.
5	MR. LANGLEY: I was referencing that just
6	because I prefaced to the question. But my question
7	is really not directed to that exhibit.
8	JUDGE SIPPEL: Right. My comment is just
9	for the benefit of the record. Go ahead.
10	THE WITNESS: Well, for example, we talked
11	about the example of a pie yesterday. A piece of
12	food. One person eats it. It's not available for
13	another is one example.
14	BY MR. LANGLEY:
15	Q So a pie, in your opinion, is an example
16	of a highly rivalrous good?
17	A Food, generally.
18	Q Food, generally.
19	A Yes. The example on the chart was, you
20	know, the wheat, also.
21	Q Can you give me a non-food example of a
22	highly rivalrous good?

1	A Well, the other example, for example,
2	discussed in the APCo decision is land. You know,
3	deciding land is a rivalrous. Someone is occupying
4	that land, and it's not available for someone else.
5	Q What about a tangible object? Can you
6	give me an example of a tangible object, other than
7	food and other than land, that is highly rivalrous?
8	A I guess when you talk about tangible, I'm
9	not sure exactly what you're looking for.
10	Q Well for example, is a computer a highly
11	rivalrous good?
12	A No. That could be shared among multiple
13	users.
14	Q Is
15	A Depending on how it's configured. Because
16	it could be networked to different locations and
17	different people could be using it simultaneously or
18	using the processing features of it simultaneously.
19	Q I think yesterday you had a conversation
20	with the court, and an elevator was discussed. Is an
21	elevator an example of a highly rivalrous good?
22	A I don't know if I'd characterize it as

1	highly rivalrous, because it's going to depend on
2	because again, you have multiple occupants in that
3	elevator. I guess it's going to depend on how that
4	elevator is provisioned.
5	Q How large it is?
6	A Yes. How large it is and how it's
7	designed.
8	Q Would it also depend on how many people
9	are in the elevator?
10	A No. How many people would determine how
11	crowded it was or whether it was at full capacity.
12	Q So the rivalry of the good doesn't
13	necessarily depend on how crowded it is. A good can
14	be rivalrous without being crowded?
15	A That's correct.
16	Q And so an elevator
17	A Rivalrous is referring to the condition
18	where in order to provide the good or service to one
19	person, it necessarily means someone else can't finish
20	it or enjoy it. It's not available. If one person
21	consumes it, it's not available for someone else to
22	consume it.

1	Q And yesterday, we were talking about an
2	elevator that could hold 101 people. Do you remember
3	that?
4	A Yes.
5	Q That's a big elevator, isn't it?
6	A Yes.
7	Q And once it has 101 people in it, would
8	you consider it rivalrous?
9	A It could be. Now, there could be
10	conditions where that elevator, for whatever reason,
11	if there are weight limitations and there are per
12	person or per weight. So maybe you have an elevator
13	that is designed to carry more people of a certain
14	weight or fewer people of a larger weight. So
15	depending on, you know, what the operating conditions
16	of the elevator are.
17	I'm trying to say it's hard to discuss
18	these situations in the abstract. Because there may
19	be the conditions that violate safety codes. You
20	can't have so many people over 200 pounds or something
21	like that. So if people were adhering to the safety
	1

codes and, instead, you kick the bigger people off,

1	you could actually fit more of the smaller people.
2	You know, not being an expert of elevator codes. I
3	know there could be some terms that affect that.
4	Q You've raised a great point. I mean the
5	capacity of the elevator doesn't just depend on the
6	number of people, but also the size of the people.
7	A Correct.
8	Q And that's true even though the elevator
9	could be enlarged. Correct?
LO	A Yes. But obviously it would be related to
L1	the ability of the elevator to be enlarged. Maybe
L2	there is some you know, the building owner put in
L3	a site ceiling for no reason other than I don't
L4	know he seemed to think maybe he needed that site
L5	ceiling. And then, they realized they didn't. They
L6	remove that ceiling, and all of a sudden, we can
L7	accommodate taller folks into that elevator. So if
L8	it's dynamic, you need to look at particular
L9	conditions of supply.
20	Q Or maybe if there were hand rails that
21	went around three sides of the elevator that stuck out
22	from the walls, say, a foot. If you move those out.

1	you might be able to put some more people in.
2	A That correct.
3	Q Now, let's talk about a highly non-
4	rivalrous good. Can you give me an example, in your
5	opinion as an economist, of a highly non-rivalrous
6	good?
7	A In the classic example, the one cited in
8	the textbook, was defense things provided by the
9	government that benefit general population providing
10	it, for one, doesn't exclude others from enjoying that
11	benefit.
12	Q Can you give me an example of another non-
13	rivalrous good? And I know you think poles are non-
14	rivalrous.
15	A I was going to say the perfect example
16	that I think and is described in the APCo decision are
17	poles because of the ability and the practice of the
18	utilities to perform the make-ready.
19	Q You understand I'm asking about other than
20	poles. I understand your opinion there. But besides
21	a national defense, can you give me an example in
22	your opinion as an economist of a highly non-

	livatious good:
2	A I'm thinking of other goods like parks,
3	open-air concert venues, other type spaces where,
4	again, for others to enjoy or consume that benefit,
5	others don't have to be excluded or it takes only
6	under certain, more limiting conditions would there be
7	exclusion.
8	Q Okay. Can give you me yet another example
9	of a highly non-rivalrous good?
10	A Well, those are the ones that come to mind
11	right now. I'm sure I could come up with many others,
12	but
13	Q So the two
14	A My testimony focused on looking at poles
15	and the conditions of poles. And certainly there are
16	other goods that would be similar.
17	Q But as an economist, the two examples that
18	you can come up with today other than poles of highly
19	non-rivalrous goods are parks and the national
20	defense. Correct?
21	A Yes.
22	Q And its your testimony that can we pull

1	up Exhibit 42, Page 40?
2	A I think I also talked about open-air
3	concert spaces and, for another one, landing strips.
4	I mean I can come up with some more.
5	Q Ms. Kravtin, is it your testimony as an
6	economist that poles like the one on the screened
7	marked as Gulf Power Exhibit 42, Page 40 are more like
8	parks, open-air concerts, the national defense and
9	landing strips than an elevator or a food item?
10	MR. SEIVER: I object to his
11	characterization, Your Honor.
12	JUDGE SIPPEL: What's wrong with the
13	characterization?
14	MR. SEIVER: I don't think she ever said
15	that it's more like a national park. She said it's
16	rivalrous. And I think it's misleading to say it's
17	more like a national park.
18	JUDGE SIPPEL: Well, I'm sorry. He's
19	asking the question on cross-examination. He's not
20	making a statement. The witness can handle the
21	question, I think. I'll permit the question to stay.
22	Overrule the objection.

THE WITNESS: In terms of the properties that I'm describing of exclusion, yes. Now, in answering your questions, I was trying to give examples like Mr. Bernanke did in his textbook example, you know, of things that, you know, would meet those extreme conditions.

Clearly, there's a continuum in between as we talked about yesterday. And that's when you have to look at the facts of the particular provisioning just in the case of the elevator or anything else. Because there may be conditions under which that elevator, under certain operating conditions, is highly non-rivalrous. So you do have to look at those operating conditions, and then, evaluate.

I mean, there are many, many goods and services and facilities, whether it be an airport -- I named some of those in my testimony where I discuss an airport or a parking lot -- many of those infrastructures. Let's try to pick on things -- identify things very similar to a pole, which I do in my testimony. In our discussion a minute ago, I was trying to give you some theoretical extremes.

I talk in my testimony about airports, about parking lots. All of these are infrastructure for which space, in many cases, can be made readily available.

In deposition, I talked to you about the example of Logan Airport, which is considered to be a crowded facility. But when you start looking at the facts of it, it's not at full capacity because it has half a terminal empty at the Delta. Because Delta won't permit AirTran to operate because it's a major competitor. Delta won't allow MassPort to let AirTran operate at its gates.

So under that condition, really, I would say that airport, even though it's crowded, is non-rivalrous because it could accommodate more airports - more airplanes landing. And then, you wouldn't have to turn away others if we could get that anti-competitive clause out of Delta's leasing arrangement. So those are the sorts of things I do talk about in my testimony.

MR. LANGLEY: Or you could always build a bigger airport.

1	THE WITNESS: If you needed to, but it
2	would be prudent to look at how you could use the
3	existing infrastructure more efficiently and manage it
4	more efficiently, such as taking empty gates and
5	making them available. Or if there are places on the
6	tarmac that are suitable for airplanes to sit and load
7	passengers, which many airports do.
8	At Dulles, they take the satellite buses
9	out to the tarmac. So it would certainly be prudent
10	from an economic standpoint to look at how you would
11	use the existing infrastructure more efficiently and
12	manage it, then to start building extra capacity.
13	That would not be an economically favorable solution.
14	It wouldn't be efficient. It wouldn't be taking the
15	best advantage of resources.
16	BY MR. LANGLEY:
17	Q You had mentioned excludability. Is that
18	a factor in determining whether something is
19	rivalrous?
20	A Yes. I discussed that in my testimony,
21	that the whole underlying concept under rivalry is the
22	situation where there is exclusion from use of the

1	infrastructure.
2	Q You understand that in certain
3	circumstances, a utility has a right to exclude
4	attachers from its poles, don't you?
5	A Yes. I understand that. But I don't
6	believe the legal situation of that requirement
7	affects the underlying economics.
8	Q Ms. Kravtin, would you please turn to Page
9	32 of your testimony? In the bottom paragraph on that
10	page, you testify, open quote, "The economic realities
11	of make-ready and full capacity
12	A Can you give me a line number, please?
13	Q I'm sorry. Yes, ma'am. Line 18.
14	A On Page 32?
15	Q Yes, ma'am.
16	A Yes. I see it now.
17	Q Where it says, "The economic realities of
18	make-ready and full capacity cannot rationally co-
19	exist?"
20	A Yes.
21	Q Is it your belief, then, that in order for
22	full capacity to exist as an economic term that Gulf

Power would need to cease performing make-ready?

I'm saying that it would be because make-ready is a common part of how Gulf Power operates. Gulf Power has been, by their own evidence, routinely performing make-ready to accommodate its own uses and that of others. It would have to have a policy of artificially changing the way it provisions poles if it is to satisfy or purport to satisfy full capacity.

In an economic sense, the capacity isn't at full capacity or at peak conditions unless the provider is performing efficiently producing that service or good in the most efficient way. If there are changes that can be made to the way that provider is provisioning the service or running its operations, then from an economic sense, you can't say that it's really full, because there are these ordinary changes that can be made that could make more productive use of that infrastructure without actually altering the fundamental condition of supply.

Q So if tomorrow Gulf Power issued an edict saying, "No more make-ready," would we run into full

capacity situations?

A Well, I think that Gulf would certainly be in a position to make that claim. I don't think it would be based on a true economic; it's based on an artificial restriction of what can be done to that resource. And then, even if you did make the claim it's full capacity, you then have to show the lost opportunity under APCo.

But as I discussed in my testimony, that would, I think, be a very -- from an economic standpoint -- a very undesirable outcome. That the only way that Gulf can get to what it believes to be a state of -- okay -- demonstrate, "Well, we can't accommodate any other users if by artificially restricting make-ready."

Now, I think there would be an issue with being non-discriminatory, because that would mean you would have to shut down make-ready not only for cable operators or other potential catchers, but presumably to be non-discriminatory, you have to not do make-ready for your own uses.

Q You don't think Gulf Power has a right to

1	change its pole configuration or put a taller pole in
2	for itself regardless of what they're willing to do
3	for others?
4	A I'm not giving an opinion as to what Gulf
5	Power has a right to do. I'm just saying from the
6	perspective of economics and public policy, it would
7	seem that would be discriminatory. And pursuant to
8	Section 224, as I read 224, it does indicate that. As
9	far as evaluating whether there's insufficient
10	capacity that it has to be determined on a non-
11	discriminatory basis. And I'm not rendering an
12	opinion as what your right, you know, what is to
13	refuse make-ready or not.
14	Q Who owns the poles that we're talking
15	about?
16	A As I indicated in my testimony, I
17	understand that Gulf Power owns the poles. That is
18	the source of Gulf Power's ability to exercise control
19	over the poles.
20	Q Ms. Kravtin, do you view an electric
21	utility like Gulf Power as a potential competitor to
22	the complainant cable operators?

1	A Yes. Certainly Gulf Power and other
2	electric utilities can be potential competitors in the
3	provision of communications services.
4	Q They can have their own cable network or
5	their own telecommunications network, couldn't they?
6	A Yes.
7	Q Ms. Kravtin, we had talked some yesterday
8	about fair market value. And I had suggested that the
9	definition was what a willing buyer would pay a
10	willing seller. And you had added with neither under
11	a compulsion to buy or sell. Do you remember that?
12	A Yes, I did. And that was basically
13	consistent with what your expert, Mr. Spain, a
14	valuation expert, had identified that definition to
15	be.
16	Q You were in here for Mr. Spain's
17	testimony?
18	A Some of it. Not all of it.
19	Q In the transaction between the complainant
20	cable operators and Gulf Power, who's under
21	compulsion?
22	A Well, certainly in my testimony, I'm

1	focusing on the cable operators and their compulsion,
2	because to buy because Gulf is, again, as owner
3	is controlling the terms and conditions upon which
4	they attach.
5	Q Well, the cable operator has an option,
6	don't they?
7	A Well, we discussed that yesterday at
8	length. There are options. There are always options.
9	Whether those options are economically and practically
LO	feasible is another question.
L1	Q And if there's space on a pole, barring
L2	engineering or safety circumstances, Gulf Power does
L3	not have an option, does it?
L4	A Well, I understand Gulf does have the
L5	mandatory access provision. But that's not why these
L6	particular cases are going on. It's going on because
L7	Gulf is still in control of the terms and conditions
L8	upon which that attachment can take place.
L9	Q Ms. Kravtin
20	A You, yourself, alluded to the fact
21	well, Gulf has the right to refuse make-ready or not
22	do make-ready. And here, Gulf is proposing rates that

1	are some ten times higher than the regulated rates.
2	Q You don't think that mandatory access is
3	why we're here today?
4	A Well, I really shouldn't speak as to why
5	Gulf Power requested this proceeding to be held. I
6	understand, based on my review of the documents, that
7	Gulf Power believes that the mandatory access
8	provision of the Telecommunications Act entitled it to
9	a higher rate than the regulated rate provides.
10	Notwithstanding the fact that the regulated rate has
11	been determined to be a just compensation rate.
12	Q You agree that we're talking about
13	mandatory access, though, don't you?
14	A I believe we're talking about many things
15	of which mandatory access is one. But primarily we're
16	looking at I believe the issues in this case is
17	whether Gulf's claims are justified in light of the
18	Alabama Power decision criteria of full capacity and
19	lost opportunity. Because those are the new issues
20	based on the hearing designation order.
21	The basis for which Gulf was able to
22	essentially retry the case before the commission a few

1	years ago was because Gulf argued that it hadn't had
2	the opportunity to put in additional evidence pursuant
3	to the Alabama Power criteria of full capacity and
4	lost opportunity.
5	Q Ms. Kravtin, are the complainants in this
6	case, to your knowledge, attached to Gulf Power's
7	poles under their mandatory right of access?
8	A I think I would have to answer that no.
9	Because I think most of the attachments and agreements
10	with the cable companies were done on a voluntary
11	basis prior to the Telecommunications Act.
12	Q So it's your testimony as a representative
13	today of the complainants that at least some of their
14	attachments are not pursuant to mandatory access?
15	A Well, again, I'm approaching this as an
16	economist. If you're trying to make a legal
17	distinction as to attachments before the law and after
18	the law, I'm looking at it from a perspective of what
19	transpired. And it didn't seem to me that the change
20	in the Telecommunications Act that now required that
21	access to be mandatory had any practical or real

effect on the cable company's attachments to the